Available online at:
https://jurnal.integrasisainsmedia.co.id/index.php/JIMS
Journal Integration of Management Studies
Volume 3 Number 2, 2025 (Special Issue): 343-351
DOI: 10.58229/jims.v3i2.377

Sustainable Banking in Practice: Stakeholder Responses and Implementation Challenges in a Regional Bank

Hadi Prabowo[1*], Yunieta Anny Nainggolan[2]

School of Business and Management, Institut Teknologi Bandung[1,2]

*Email: hadipow89@gmail.com

Abstract

This study analyses the adoption of Environmental, Social, and Governance (ESG) principles in a regional development bank in Indonesia via the perspective of Stakeholder Theory. Using a qualitative approach, the research analyses how the bank connects with and responds to its internal and external stakeholders within the framework of national rules, particularly POJK 51/2017 and the Indonesian Green Taxonomy. Although the bank has demonstrated formal compliance, as evidenced by submitting Sustainable Finance Action Plans and releasing GRI-based sustainability reports, findings indicate that ESG integration remains inconsistent across units and functions. Major problems include insufficient ESG literacy among employees, the absence of stakeholder-oriented performance metrics, fragmented ESG-related data systems, and a lack of organised engagement tools that facilitate dialogue and responsiveness. Despite these impediments, positive indications from stakeholders, such as increased public awareness and substantial investor interest in sustainability bonds, reflect the growing reputational value of ESG commitments. However, the study reveals that stakeholder engagement strategies are primarily one-directional, with limited institutional frameworks for co-creation, feedback, or collaborative governance. To address these shortcomings, the report advises constructing inclusive stakeholder forums, embedding ESG indicators into key performance metrics, centralizing ESG data infrastructure, and conducting organised capacity-building programs. This study contributes to the growing discourse on stakeholder-responsive ESG implementation in regional banking, providing strategic insights for enhancing trust, inclusion, and long-term sustainability performance.

Keywords: ESG implementation, regional bank, stakeholder engagement, sustainable finance, institutional transformation, green lending, ESG capability

---

A. INTRODUCTION

As financial institutions are now evaluated not only on profitability but also on their contributions to environmental protection and social welfare, the concept of sustainability in banking has grown increasingly important. Sustainable banking aims to integrate Environmental, Social, and Governance (ESG) principles into core financial operations, credit policies, and organisational strategies to support low-carbon economic development and inclusive growth (Bhandari et al., 2022; Galletta et al., 2022). This paradigm shift supports operational integrity and reputation resilience while aligning banking practices with global development goals. National financial authorities in Indonesia are driving this change via the Sustainable Finance Roadmap and POJK No. 51/POJK.03/2017. These systems require banks to provide yearly Sustainable Finance Action Plans (RAKB) and match their portfolios with the Indonesian Green Taxonomy, a classification tool meant to guide funding towards environmentally friendly businesses. Introduced in 2022, the Green Taxonomy 1.0 categorizes sectors that directly contribute to mitigating climate change and promoting environmental sustainability, separating them from over 2,700 economic activities, thereby facilitating more open and focused green financing.

Because they both advance regional development and follow national financial policies, regional development banks (Bank Pembangunan Daerah/BPD) occupy a particularly key role in this transition. Working within intricate systems of regional governance, these banks must navigate institutional, operational, and market-level obstacles to incorporate ESG values. Although some have demonstrated official compliance through RAKB submission and the publication of GRI-aligned sustainability reports, empirical data indicate that ESG adoption is typically scattered and uneven throughout organisational levels.

* Corresponding author

Common institutional issues include low ESG literacy among individuals, fragmented data governance systems, and a lack of organized methods for engaging stakeholders. Often, involvement remains top-down and one-directional, with limited opportunities for inclusive communication or participatory decision-making. Moreover, stakeholder resistance, particularly among MSMEs and business actors with limited awareness of ESG standards, can hinder demand for sustainable financial products, especially in markets where short-term gains are prioritized over long-term environmental or social impacts. To better comprehend these processes, this work utilises Stakeholder Theory (Freeman et al., 2021) as its major analytical lens. The approach emphasizes the importance of recognizing, involving, and responding to the interests of all parties affected by an organization's actions, including regulators, investors, employees, customers, and local communities (Guix et al., 2018; Pérez & Rodríguez del Bosque, 2016). Rather than privileging shareholders alone, Stakeholder Theory posits that long-term legitimacy and institutional success depend on ongoing conversation and alignment with a broader network of stakeholders.

Specifically, this study focuses on two crucial elements developed from the theory: stakeholder involvement and organizational responsiveness. The first refers to how inclusively an institution incorporates its stakeholders in ESG-related planning, decision-making, and implementation (Menicucci & Paolucci, 2023). The second concerns how well the institution absorbs feedback, modifies its policies, and produces tangible outcomes consistent with stakeholder expectations (Bartolacci et al., 2025; Saviano et al., 2024). Stakeholder engagement itself occurs along a continuum, ranging from informing and consulting to involving, collaborating, and empowering (Jang, 2022). Effective participation in the ESG context entails transparency, inclusion, and reciprocal accountability. It is not only about information, but also about co-designing programs and creating trust through regular, meaningful involvement. Prior research underlines that institutions implementing such methods display greater sustainability performance, reputational strength, and policy alignment (Bahadorestani et al., 2020; Rhee et al., 2021). However, despite increased regulatory requirements and market pressure, many regional banks continue to engage in ESG through minimum compliance-driven actions, such as publishing sustainability reports or hosting public events, without building continuous engagement platforms. As a result, while external stakeholders may acknowledge symbolic efforts such as the issue of sustainability-linked bonds, internal responsiveness and governance innovation often lag (Saeed et al., 2018).

This study intends to analyse the ESG practices of a regional development bank in Indonesia by adopting Stakeholder Theory as a conceptual and analytical framework. Through an in-depth qualitative analysis that combines interviews, institutional document studies, and secondary data, the research aims to identify current gaps in stakeholder involvement and propose strategic initiatives to enhance responsiveness and accountability. In doing so, our study contributes to the rising discourse on stakeholder-centered ESG implementation in emerging financial systems. The findings show that successful ESG adoption is not only a statutory or technical feat, but also a reflection of how effectively an institution connects with, learns from, and adapts to the needs of its stakeholders.

B. METHODS

This study employs a qualitative research technique to evaluate the implementation of Environmental, Social, and Governance (ESG) practices within a regional development bank in Indonesia, analyzing the topic entirely through the lens of Stakeholder Theory. This technique is considered appropriate given the study's aim to explore complex, context-dependent interactions between the bank and its various stakeholder groups (Creswell & Creswell, 2017). Stakeholder Theory presents a useful conceptual framework, highlighting that firms should not only maximize shareholder profit but also address the expectations, influence, and legitimacy of stakeholders, including employees, regulators, customers, communities, and strategic partners. In the context of ESG, this theoretical perspective enables an in-depth examination of how stakeholders are recognized, engaged, and responded to within institutional frameworks established by national policy and regulatory mandates.

The study employs a single-case study design to facilitate an in-depth and contextually grounded assessment of stakeholder-related ESG processes (Bahadorestani et al., 2020; Weber, 2017). A case study design is well-suited for capturing the institutional realities of ESG integration at the regional level, where both top-down policy directives and local socio-economic factors often influence stakeholder interactions.

Informants were identified through purposive sampling, focusing on individuals directly involved in ESG-related duties or those holding significant positions in cross-divisional decision-making. Four main internal divisions were represented in the sample: risk management, general affairs, digital banking, and human capital. These divisions were selected based on their importance to stakeholder-facing operations, internal ESG policy execution, and their institutional proximity to challenges of compliance, organizational change, and sustainable governance.

Data were collected using two primary techniques: in-depth, semi-structured interviews and document analysis. A total of ten interviews were conducted, each guided by open-ended questions designed to explore three main constructs derived from Stakeholder Theory (Bhandari et al., 2022; Huynh et al., 2024): 1) stakeholder identification and prioritization; 2) the form, frequency, and depth of engagement practices; and 3) the institution's responsiveness to stakeholder feedback. Specific indications included the presence of organized consultation mechanisms, documentation of stakeholder concerns, adaptation of ESG initiatives based on input, and transparency in communication channels. To establish a comprehensive understanding and enhance data triangulation, document analysis was conducted in conjunction with interviews. Reviewed materials comprised sustainability reports (2021–2024), sustainable financial action plans, internal memos on stakeholder engagement initiatives, and communication records linked to ESG implementation. Additionally, national regulatory instruments such as POJK 51/2017 and the Indonesian Green Taxonomy were employed as normative benchmarks to measure institutional conformity with regulatory norms in stakeholder engagement.

All interview data were transcribed and processed using thematic coding with the use of MAXQDA software. Both inductive and deductive coding methodologies were applied. Deductive codes were created from basic principles in stakeholder theory literature (Freeman et al., 2021), while inductive codes emerged organically from the data. Themes were discovered surrounding patterns such as one-way vs dialogic communication, operational hurdles to stakeholder engagement, and institutional reactions to stakeholder requests. The analysis created a thematically rich narrative of how stakeholder concerns are addressed, which groups are prioritized, and how these interactions impact the bank's ESG path. By grounding the research primarily in Stakeholder Theory and employing a case-based qualitative design, the study provides a detailed account of the relational dynamics that influence ESG implementation at the regional banking level. It also offers light on the gap between statutory expectations and institutional practice, bringing insights into the relevance of legitimacy, participation, and reciprocal accountability in ensuring sustainable financial governance.

C. RESULTS AND DISCUSSION

The Degree of Stakeholder Engagement and Inclusivity

Based on interviews and document analysis, the case institution has undertaken many measures to engage stakeholders in its ESG implementation. These include the public publishing of sustainability reports, involvement in national forums such as the Indonesia Sustainable Finance Initiative, and the use of digital channels for sharing ESG-related information. Sustainability reports from 2021 to 2024 indicate efforts to enhance transparency by publishing ESG updates on the institution's official website and through multi-faceted communication materials. Internal documentation reveals that stakeholder input has been steadily incorporated into the development of the ESG strategy. Two-way communication has been established across divisions, and training on ESG and environmental concerns is being carried out to enhance internal understanding. Positive stakeholder reaction is noticed by management:

> *"Overall, we continue to receive appreciation from investors and the public for our commitment to sustainability." (Interview, Corporate Strategy Division-translated from Indonesian)*
>
> *"The public and investors generally respond positively to our sustainability commitment." (Interview, Corporate Strategy Division-translated from Indonesian)*

The participation procedure still presents difficulties. Although knowledge gaps exist between departments, ESG has not yet become a shared organisational issue. Different audience segments, especially for local communities and MSMEs, further complicate communication.

> *"One of the key challenges is tailoring ESG communication to diverse segments, including investors, customers, and regulators." (Interview, Corporate Strategy Division– translated from Indonesian)*
>
> *"Issues like financial literacy and access to information remain a concern." (Interview, Corporate Strategy Division– translated from Indonesian)*

However, concrete results, such as the oversubscription of a sustainability bond and a rise in green lending, now accounting for 15% of all credit, point to encouraging development.

> *"Investor trust in our ESG commitment was evident in the successful issuance of a Rp 1 trillion Sustainability Bond, oversubscribed 4.66 times the initial target." (Interview, Corporate Strategy Division– translated from Indonesian)*

Drawing on the gathered information, it can be said that, within the framework of ESG, the case institution has employed several types of communication and stakeholder involvement (Venturelli et al., 2018). Nevertheless, several constraints remain, especially in the depth of stakeholder knowledge and the institution's capacity to tailor messages for various audience segments.

Effectiveness of Communication with Stakeholders

The various channels, approaches, and challenges in distributing ESG data help one assess the success of sustainability communication with stakeholders. The results indicate two primary levels of communication: internal (within the company) and external (with stakeholders, including investors, authorities, corporate partners, and the general public). From the outside in, the institution mostly uses online sustainability reports as means of communication. These reports contain multidimensional information on ESG initiatives, are aligned with international reporting standards (GRI), and are made publicly available on the organization's official website. To express ESG commitments, extra communication efforts include involvement in national sustainability projects, such as sustainable finance working groups, and the utilisation of official venues and thematic bond issuances. Despite these measurements, interviews reveal that stakeholders' knowledge of ESG material remains unequal. While some external stakeholders receive these reports, they often struggle to interpret or effectively implement the information. This demonstrates persisting gaps in ESG literacy, particularly within local communities and micro-business sectors. Furthermore, the absence of an integrated, two-way communication system limits prospects for responsive discourse (Menicucci & Paolucci, 2023).

> "*We face several challenges in delivering sustainability issues to the public and stakeholders." (Interview, Corporate Strategy Division– translated from Indonesian)*
>
> *"Many employees do not understand the importance of sustainability or lack sufficient knowledge" (Interview, Corporate Strategy Division– translated from Indonesian)*

Internally, communication is performed through ESG initiatives, awareness of green digitisation, and leadership-driven messaging. However, ESG understanding is not yet uniformly dispersed throughout all organizational units, especially among operational teams who are not directly involved in sustainability programs. In many situations, ESG is still seen as synonymous with CSR efforts rather than as part of the institution's main strategic objective (El-Bassiouny et al., 2018). Efforts to strengthen internal messaging include the usage of mascots, corporate email, intranet platforms, and internal bulletins. These solutions aim to simplify and personalize ESG communication; however, gaps persist in the consistency of messaging and cross-divisional comprehension.

> *"We have implemented ESG-related campaigns in daily operations, such as encouraging the use of tumblers, regulating AC temperatures, and saving water." (Interview, Risk and Credit Management Division– translated from Indonesian)*
>
> *"Access to ESG information is still limited to certain people in the organization." (Interview, Human Capital Division– translated from Indonesian)*

Another important challenge is handling communication across multiple stakeholder segments. The diversity of audiences, ranging from investors and regulators to local communities, creates challenges in designing communications that are universally relevant and accessible.

> *"One of the main challenges is adapting ESG communication for various segments, including investors, customers, and regulators." (Interview, Corporate Strategy Division– translated from Indonesian)*

"We have already issued an internal memorandum encouraging electricity-saving practices across all units." (Interview, General Affairs Division– translated from Indonesian)

While ESG information is actively conveyed through publications, forums, and digital media, the effectiveness of these efforts is impeded by literacy gaps, segmentation challenges, and the absence of performance indicators to monitor ESG communication outcomes. There are currently no designated KPIs to quantify the impact and reach of the ESG message, making it challenging to analyze the performance of these tactics consistently. Nevertheless, signs of development are emerging. Some divisions have begun employing consultation procedures, such as daily briefings, monthly coordination meetings, and interviews on material concerns for reporting purposes. Shareholder consultations are also periodically undertaken through performance review meetings, general meetings of shareholders, and continuous coordination channels. These findings suggest that, although communication structures are in place, there is a clear need to expand evaluation frameworks and implement more participatory, bidirectional communication models. Strengthening these mechanisms will increase the institution's responsiveness and alignment with stakeholder expectations, so enhancing the legitimacy of its ESG initiatives.

Responsiveness to Stakeholder Input

Responsiveness to stakeholder feedback is evident in the institution's revisions to sustainability-related policies and strategies, particularly in areas such as green financing, ESG reporting, and internal governance reform. One of the most obvious signs of this response is the growth of the green financing portfolio, which today accounts for approximately 15% of total lending. In addition, the successful issuance of sustainability bonds, which was significantly oversubscribed, demonstrates the institution's capacity to integrate its financing strategies with investor expectations.

"Investor confidence in our ESG commitment was evident in the successful issuance of a Rp 1 trillion Sustainability Bond, which was oversubscribed by 4.66 times the initial target." (Interview, Corporate Secretary Division translated from Indonesian)

Input from regulators and corporate partners has helped improve credit evaluation policies, particularly by incorporating stronger environmental requirements and embedding measurable social impact indicators into the sustainability report structure. ESG disclosures have also grown to incorporate more quantitative data on emissions, climate-related actions, and CSR achievements (Buallay, 2019). From a supply chain viewpoint, the institution actively incorporates vendors and suppliers as part of its stakeholder ecosystem. These partners are obliged to adhere to a corporate code of ethics and sign integrity pacts as part of the procurement process. During the reporting year, the institution cooperated with 1,264 local suppliers, indicating a strong commitment to regional economic empowerment through ESG-compliant procurement. Internally, the organisation has responded to employee input by enhancing working facilities, introducing energy conservation programs, and reducing administrative operations through digitisation. Despite these encouraging advances, numerous employees noticed that not all proposals got follow-up or unambiguous acknowledgment, revealing a deficiency in systematic feedback handling.

"We have improved employee welfare with support from management, for example, prayer rooms, rest areas, and health programs." (Interview, General Affairs Division – translated from Indonesian)

"Operational implementation examples include the use of the Virtual Office application and e-procurement systems." (Interview, Risk and Credit Management Division– translated from Indonesian)

As primary internal stakeholders, employees expressed concerns about their well-being, occupational health and safety, and access to professional development opportunities. The institution has responded through frequent meetings, internal programs such as "HC Cares," email communication, digital learning platforms, workshops, and recognition ceremonies. Communication and change management activities are further strengthened by the involvement of employee unions, internal change agents, and the Change Management Office. These initiatives are undertaken through official reporting procedures, internal media outlets, and sustainability disclosures, all of which are aligned with the institution's ESG framework. Despite indications of strategic responsiveness, especially toward high-level stakeholders such as investors and regulators, several restrictions exist. These include undeveloped documentation systems for documenting stakeholder input, the absence of permanent stakeholder forums, and inconsistent response mechanisms, particularly at the operational level. These shortcomings underscore the need for more robust mechanisms for stakeholder evaluation and follow-up, ensuring that all categories of stakeholder feedback, regardless of formality or influence, are consistently acknowledged, recorded, and addressed.

Stakeholder Response and Feedback Mechanisms

The institution's feedback and response procedures toward stakeholders demonstrate inconsistent patterns across organizational units. While numerous communication channels and engagement methods have been implemented, most remain limited to one-way formats or administrative functions, rather than structured, participatory procedures (Kumar et al., 2018). One of the key formal methods is the compilation of sustainability reports, which serve both as annual disclosure tools and strategic ESG communication instruments (Buallay et al., 2021). These reports occasionally include references to stakeholder concerns made during public engagement events and explain institutional responses to environmental and social issues.

"There is the sustainability report. It is published and appears on the institution's website." (Interview, Human Capital Division – translated from Indonesian)

Internally, the organisation has established inter-divisional coordination mechanisms to address operational-level input. The ESG function generally works in partnership with divisions such as general affairs, digital banking, and branch operations to address emerging concerns related to sustainability and organisational efficiency. However, this coordination is often informal and lacks established operating procedures to ensure that feedback is consistently captured, examined, and acted upon across departments.

"We also hold meetings related to events or digital marketing programs, especially those involving large audiences. Coordination around ESG must be continuous." (Interview, Digital Banking Division – translated from Indonesian)

Although feedback mechanisms are active to some extent through reporting structures, internal meetings, and strategic forums, the absence of a comprehensive and digital-based system for feedback management is a significant deficit. Currently, there is no centralized platform or real-time dashboard that maintains the status of stakeholder input or monitors follow-up actions. This constrains transparency and hinders the institution's capacity to demonstrate accountability across stakeholder groups. In keeping with Stakeholder Theory, responsiveness is not only about acknowledging feedback but also about institutionalizing systematic methods for inclusion, response, and adaptation. Currently, the institution's systems are functioning yet fragmented, underscoring the need for stronger integration, documentation, and review. Establishing digital feedback mechanisms, formal norms, and transparent communication pathways will help ensure that all stakeholder voices, both internal and external, are effectively evaluated and integrated into ESG-related decision-making.

Transparency in Stakeholder Feedback Reporting

Transparency in reporting stakeholder comments has been accommodated through the publication of annual sustainability reports. These materials are formatted in accordance with the Global Reporting Initiative (GRI) standards and are publicly available on the institution's official website. Within these reports, management provides narrative responses to selected Environmental, Social, and Governance (ESG) issues typically in the form of qualitative explanations regarding policy adjustments, shifts in green financing priorities, environmental risk mitigation strategies, or internal efficiency initiatives resulting from stakeholder input. However, the reporting format remains mostly descriptive and unstructured. The material relating to stakeholder feedback is often fragmented throughout several sections of the document without a clear framework that links the type of input received, the institutional response, and the subsequent follow-up measures. As a result, it becomes difficult for stakeholders, especially external parties, to track how their input has been acknowledged, addressed, or acted upon.

Furthermore, the institution has yet to develop a real-time digital feedback reporting system or a dedicated dashboard to monitor stakeholder issues and track progress in follow-up measures systematically. Complaints, ideas, and critiques provided by stakeholders are not published in a consolidated or publicly available manner, thereby restricting openness and the ability of stakeholders to verify whether their feedback has influenced institutional decisions. Although narrative disclosure within sustainability reporting constitutes an initial step toward increased stakeholder accountability, significant limitations continue. These include the absence of a consistent input-tracking mechanism, restricted visibility of follow-up activities, and a lack of interactive tools for reporting outcomes. Without these features, the institution's reporting processes fall short of the transparency standards established in best practices for ESG communication. In alignment with Stakeholder Theory, honest feedback reporting not only fosters trust and legitimacy but also serves as a vital vehicle for institutional learning and adaptive governance. To increase transparency, the organisation would benefit from creating structured feedback logs, integrated reporting matrices, and accessible publication channels that allow stakeholders to monitor how their contributions are transformed into policy or operational change.

Alignment Between Stakeholder Needs and Organizational Actions

The alignment between stakeholder demands and the institution's strategic and operational actions is evident in numerous efforts that strive to match stakeholder expectations with sustainability policy directions. In the implementation of ESG initiatives, there is evidence that the institution has begun to map and prioritize key stakeholder concerns, particularly those of regulators, investors, and strategic partners, and incorporate them into decision-making processes. This is evident in the growing emphasis on finance for the green economy, the adoption of prudential principles to manage social and environmental risks, and enhanced transparency through expanded ESG disclosures.

"In addition, we have CSR programs focused on sustainability and community welfare." (Interview, Corporate Strategy Division– translated from Indonesian)

In the financial sector, the demand for increased certainty and incentives from borrowers has been addressed through the reorganisation of green credit schemes and the exploration of funding diversification, including the development of bespoke green financing solutions. These improvements show a commitment to provide sustainable financial solutions that are both environmentally responsible and economically feasible. A key component of this alignment involves classifying eligible projects to ensure that financing is directed toward activities with measurable environmental and social impacts, such as low-carbon transition, climate change mitigation and adaptation, environmental preservation, and social well-being.

"As a credit intermediary, we are required to classify our portfolio following the Indonesian Sustainable Finance Taxonomy." (Interview, Risk and Credit Management Division– translated from Indonesian)

On the internal side, the institution has responded to staff demands regarding welfare, ESG-related training, and operational efficiency by providing enhanced workplace facilities, campaigns supporting digital transformation, and organized human resource development programs. These efforts show an initial connection between employee expectations and the organization's long-term ESG attitude. In addition, problems routinely raised by stakeholders such as governance transparency, operational efficiency, and data security have been addressed in recent ESG reports, reflecting initiatives to establish trust and demonstrate accountability. Nonetheless, holes persist. While evidence of responsiveness is evident, the connection between stakeholder-identified requirements and actual actions is not yet completely described in reporting materials. The absence of a documented correlation between input and outcome makes it impossible to assess the comprehensiveness of alignment efforts across all stakeholder categories. Broader external groups, particularly those outside formal institutional partnerships, remain underrepresented in ESG planning and follow-up. From the standpoint of Stakeholder Theory, effective alignment entails not only recognising and prioritizing stakeholder interests, but also ensuring those interests are visibly and consistently translated into institutional policies, practices, and disclosures. Strengthening the traceability between stakeholder input and responsive action will be crucial in maintaining the institution's credibility and advancing its sustainable development objectives.

D. CONCLUSION

This study critically examined the implementation of Environmental, Social, and Governance (ESG) principles within a regional development bank in Indonesia through the lens of Stakeholder Theory, with a focus on stakeholder engagement, organizational responsiveness, and transparency in sustainability governance. Drawing on qualitative data from in-depth interviews and document analysis, the findings indicate that the institution has initiated several stakeholder-oriented practices, including ESG reporting, internal training programs, supplier involvement, and investor-aligned green financing, which represent early progress in embedding sustainability into its organizational culture. These initiatives align with national regulatory requirements and have contributed to developing public and investor trust, as evidenced by the successful issuance of sustainability bonds and the progressive internal adoption of ESG principles. Nevertheless, some key gaps exist in the depth, inclusivity, and institutionalization of stakeholder participation. Although ESG communication operations are visible and ongoing, they tend to be largely one-way, missing participation platforms, quantitative communication indicators, and feedback systems that promote reciprocal conversation. Stakeholder input is acknowledged in narrative forms; however, the absence of real-time tracking tools, formal advisory bodies, and open follow-up procedures suggests that responsiveness remains fragmented and reactive. While internal feedback, particularly from staff and business partners, has led to certain operational changes, the lack of permanent stakeholder forums or organized representation mechanisms hinders the institution's capacity to align its strategies with stakeholder demands continually. That institutional legitimacy, sustained trust, and long-term organizational sustainability are shaped not merely by compliance with legislative frameworks, but by meaningful, inclusive, and adaptive engagement with all relevant stakeholders. Without integrating stakeholder discussion into governance structures, ESG activities risk being regarded as performative rather than transformative. To strengthen the integrity and effectiveness of its ESG strategy, the institution must transition from an informational to a participatory model, one that is anchored in co-creation, accountability, and responsiveness. Strategic recommendations include establishing formal stakeholder engagement platforms, incorporating stakeholder satisfaction indicators into ESG performance metrics, developing a centralized digital ESG feedback system, and disseminating ESG literacy programs throughout all levels of the company. These steps would not only boost the credibility of the institution's sustainability objective but also strengthen its function as a stakeholder-responsive financial intermediary that helps to inclusive and resilient regional development.

REFERENCES

Bahadorestani, A., Naderpajouh, N., & Sadiq, R. (2020). Planning for sustainable stakeholder engagement based on the assessment of conflicting interests in projects. Journal of Cleaner Production, 242, 118402.

Bartolacci, F., Cardoni, A., & Soverchia, M. (2025). The Integration of ESG Issues in Community Banking: Contextual Factors and Strategic Managerial Perceptions. In Environmental, Social, Governance (ESG) Risk, Performance, Monitoring (pp. 683-703). Springer.

Bhandari, K. R., Ranta, M., & Salo, J. (2022). The resource-based view, stakeholder capitalism, ESG, and sustainable competitive advantage: The firm's embeddedness into ecology, society, and governance. Business Strategy and the Environment, 31(4), 1525-1537.

Buallay, A. (2019). Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector. Management of Environmental Quality: An International Journal, 30(1), 98-115.

Buallay, A., Fadel, S. M., Alajmi, J., & Saudagaran, S. (2021). Sustainability reporting and bank performance after financial crisis: Evidence from developed and developing countries. Competitiveness Review: An International Business Journal, 31(4), 747-770.

Creswell, J. W., & Creswell, J. D. (2017). Research design: Qualitative, quantitative, and mixed methods approaches. Sage publications.

El-Bassiouny, N., Darrag, M., & Zahran, N. (2018). Corporate social responsibility (CSR) communication patterns in an emerging market: An exploratory study. Journal of Organizational Change Management, 31(4), 795-809.

Freeman, R. E., Dmytriyev, S. D., & Phillips, R. A. (2021). Stakeholder theory and the resource-based view of the firm. Journal of management, 47(7), 1757-1770.

Galletta, S., Mazzù, S., & Naciti, V. (2022). A bibliometric analysis of ESG performance in the banking industry: From the current status to future directions. Research in International Business and Finance, 62, 101684.

Guix, M., Bonilla-Priego, M. J., & Font, X. (2018). The process of sustainability reporting in international hotel groups: An analysis of stakeholder inclusiveness, materiality and responsiveness. Journal of Sustainable Tourism, 26(7), 1063-1084.

Huynh, A.-T., Knápková, A., Bui, T.-D., & Nguyen, T.-T.-H. (2024). The impact of institutional pressures on corporate social responsibility and green marketing adoption: an empirical approach in Vietnam banking industry. International Journal of Bank Marketing, 42(3), 620-641.
Jang, Y. J. (2022). The role of stakeholder engagement in environmental sustainability: A moderation analysis of chain affiliation. Journal of hospitality & tourism research, 46(5), 1006-1026.
Kumar, R., Pande, N., & Afreen, S. (2018). Developing a GRI-G4-based persuasive communication framework for sustainability reporting (SR) Examining top 10 Indian banks. International Journal of Emerging Markets, 13(1), 136-161.
Menicucci, E., & Paolucci, G. (2023). ESG dimensions and bank performance: an empirical investigation in Italy. Corporate Governance: The International Journal of Business in Society, 23(3), 563-586.
Pérez, A., & Rodriguez del Bosque, I. (2016). The stakeholder management theory of CSR: A multidimensional approach in understanding customer identification and satisfaction. International Journal of Bank Marketing, 34(5), 731-751.
Rhee, Y. P., Park, C., & Petersen, B. (2021). The effect of local stakeholder pressures on responsive and strategic CSR activities. Business & society, 60(3), 582-613.
Saeed, A., Jun, Y., Nubuor, S. A., Priyankara, H. P. R., & Jayasuriya, M. P. F. (2018). Institutional pressures, green supply chain management practices on environmental and economic performance: A two theory view. Sustainability, 10(5), 1517.
Saviano, M., Russo, G., Farina Briamonte, M., & Di Nallo, L. (2024). The challenges in integrating ESG factors into banks' credit department: a knowledge management enhanced framework. Journal of Knowledge Management, 28(8), 2460-2481.
Venturelli, A., Cosma, S., & Leopizzi, R. (2018). Stakeholder engagement: An evaluation of European banks. Corporate Social Responsibility and Environmental Management, 25(4), 690-703.
Weber, O. (2017). Corporate sustainability and financial performance of Chinese banks. Sustainability Accounting, Management and Policy Journal, 8(3), 358-385.